

## DOCKETED

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**Comments Of The Coalition Of California Utility Employees And The State Building And Construction Trades Council Of California On The Principles For Governance Of A Regional ISO**

*Additional submitted attachment is included below.*

**COMMENTS OF THE  
COALITION OF CALIFORNIA UTILITY EMPLOYEES  
and the  
STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALIFORNIA  
on the  
PRINCIPLES FOR GOVERNANCE OF A REGIONAL ISO**

On behalf of the Coalition of California Utility Employees and the State Building and Construction Trades Council of California, we offer the following comments on the October 7, 2016, Principles for Governance of a Regional ISO.

In our view, the Principles do not sufficiently protect California's energy or climate policies. The Principles would have governance of the new ISO controlled almost entirely by a board that is not responsible to the interests of any of the participating states. The only exception would be things within the primary authority of the Western States Committee, which is limited to "specific topics within the subject areas of transmission cost allocation and resource adequacy." (Section 6.6). This structure is fundamentally flawed. If adopted, the new ISO could dramatically undermine California's ability to protect its energy and climate policies.

The flaws in the Principles arise because they are based on a flawed premise: state control over its energy and climate policies is the exception rather than the rule.

**1. California Must Retain Control of its Energy and Climate Policy with Members of the Governing Board Selected by and Responsible to California**

The foundational tenet for any change to the existing ISO must be that California retains control of its energy and climate policy. We should not have to explain nor justify this tenet. California has decades of national and international leadership on energy and climate policies. That leadership must continue, and our ability to implement our policies cannot be jeopardized. We are frankly amazed that anyone would propose giving states that are climate deniers and are actively opposing federal climate policy the ability to obstruct California policy. Yet proposing a Western States Committee designed to deadlock, at best, and decide against California, at worst, does exactly that.

As we stated at the July 26, 2016, workshop, the new ISO board should consist of representatives of the states, not representatives of no one. Certainly, the day to day operation of the transmission system is a highly technical undertaking. But that is not a reason for the *policymaking* body to be composed of technocrats. The board does not operate the transmission system. It makes policy. It should be composed of policymakers selected by the states.

Some say that the board should be “independent.” Of course, board members must not have personal financial interests that would be affected by their decisions. But there is no reason they must be policy-independent. The current CAISO board is not; nor should it be. The new ISO board should include members that are responsive and responsible to California. That is the surest way to ensure that California energy and climate policy is advanced rather than undermined.

## **2. If States are Represented Only Through a Western States Committee, It Must Have Control Over *All* Actions that Affect State Policy**

If the new ISO governance is nevertheless headed by an “independent” board of technocrats rather than representatives of the states, control of *all* policy must reside in the Western States Committee. Yet as proposed in the Principles, *almost no* policy would be determined by the WSC. This proposal is backwards.

According to the Principles, the only policies within the primary authority of the WSC would be:

- Approval of the system-wide Planning Reserve Margin (“PRM”) target used to establish system resource adequacy;
- Cost allocation for policy-driven transmission projects supporting the policy mandates of, or providing benefits to, more than on sub-region

(Potential Topics within the Primary Authority of the Western States Committee, Discussion Paper and Draft Proposal, p. 3).

Limiting the primary authority of the WSC to these two narrow topics would undermine decades of California’s work, legislation, regulation and bold leadership. Even assuming all the benefits projected in the SB 350 studies were certain to occur, they would not justify this radical derogation of California authority.

The threat to California policies is easy to identify. We offer two of many possible examples.

First, important aspects of resource adequacy include (1) what counts and (2) how much it counts. Specifically, does non-dispatchable solar generation count and what fraction of total capacity counts? This is already a live dispute between the CAISO and the CPUC. If solar generation is overly discounted or not counted at all, it would greatly diminish its value and result in increased fossil-fuel generation. Obviously, this would undermine California's renewable energy and climate policy. Yet the Principles would strip California control of this critical policy decision. Fortunately, this aspect of the Principles would violate the explicit terms of California Public Utilities Code section 380 and is thus illegal.

Second, the selection of which power plants to run and how much they should run has large environmental impacts, both on localized pollution and on GHG emissions. Currently, with the exception of plants needed for local reliability, this dispatch of plants is based on economics. The plants that offer the lowest price are selected in order until there is enough generation to match demand. While this system produces the lowest cost of generation, it does not necessarily produce the lowest overall emissions and completely ignores the localized effects of air pollution. The new ISO would be bound to continue this climate-blind and pollution-blind practice.

However, California climate policy will likely soon require a change to the dispatch protocol: plants will be dispatched to minimize overall system GHG emissions. But as proposed in the Principles, dispatch protocol would not be within the primary authority of the WSC. California's very ambitious climate goals embodied in SB 32 and AB 197 require us to use every tool available to reduce emissions. The Principles would strip California of this tool.

There are many other issues over which California cannot relinquish control without jeopardizing hard won policies. These include deciding which new transmission should be built; how to minimize transmission costs; the eligibility of energy efficiency, demand response and electricity storage to satisfy capacity requirements; resource procurement priorities and treatment of distributed energy resources.

### **3. The Proposed Voting Rules Leave the WSC Toothless**

Even if the WSC were vested with any meaningful authority, the proposed voting rules would render it useless. If the new ISO were to begin with the states in which the CAISO currently operates along with the other states in which PacifiCorp operates, there would be 7 states. By requiring 75% of these states to agree on any

matter, 6 votes are required to make a decision – meaning that any 2 states could prevent the WSC from making any affirmative decision. The obvious result is 2 coal-dependent states such as Wyoming and Utah could prevent the new ISO from implementing any policy to reduce coal usage, and California would be powerless to implement its policies. At best, the WSC would deadlock, leaving policy decisions to unaccountable technocrats whose primary mission is reliability, not protecting the climate or reducing pollution.

We cannot understand why California would willingly allow states that actively oppose its climate and energy policies to have such a veto power.

### Conclusion

In the October 17, 2016 workshop hosted by the Energy Commission, several people characterized the Principles as “near final.” We do not agree. In our view, they do not sufficiently protect California’s energy or climate policies. The structure, narrow scope of authority of the Western States Committee and voting rules would result in California losing any meaningful control over every issue that could conceivably be affected by the new ISO.

Dated: October 31, 2016

Respectfully submitted,

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/s/

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